

# **Ceybank Savings Plus Money Market Fund**

A unit trust licensed by the Securities and Exchange Commission of Sri Lanka dated 2<sup>nd</sup> June 2009 and constituted by the Trust Deed dated 17<sup>th</sup> June 2009

## **EXPLANATORY MEMORANDUM**

This Memorandum is dated 19<sup>th</sup> June, 2009

**Fund Managers**  
**Unit Trust Management Co. (Pvt) Ltd**  
3<sup>rd</sup> Floor, Bank of Ceylon Building  
York Street, Colombo 1.  
Sri Lanka

Tel: 94-11-7602005  
Fax: 94-11-2448404  
Email: [ceybank@slt.lk](mailto:ceybank@slt.lk)  
Website: [www.ceybank.com](http://www.ceybank.com)

**Trustee**  
**Bank of Ceylon**

# Ceybank SavingsPlus Money Market Fund

## Summary of Fund Facts

<b>Fund Type</b>	
<b>Investment Objective</b>	Maximise short term current income whilst ensuring ease of liquidity
<b>Type of Fund</b>	Money Market
<b>Nature of the Fund</b>	Open-Ended
<b>Dealing Information</b>	
<b>Launch date</b>	22 <sup>nd</sup> June 2009
<b>Fixed Offer Price</b>	Rs 10.00 per unit during the initial offer period
<b>Initial Offer Period</b>	22 <sup>nd</sup> June 2009 to 18 <sup>th</sup> July 2009
<b>Continuous Investment</b>	Daily on dealing days
<b>Minimum Investment</b>	Rs 20,000 and in multiples of Rs 10,000 thereafter
<b>Valuation</b>	Daily on dealing days
<b>Currency denomination</b>	Sri Lanka Rupees
<b>Dividends</b>	Semi annual
<b>Fees Payable by the Unit holder</b>	
<b>Front – End Fee</b>	None
<b>Exit Fee</b>	None
<b>Fees Chargeable by the Fund</b>	
<b>Management Fees</b>	0.75% p.a. on the net asset value of the Fund
<b>Trustee Fees</b>	0.15% p.a. on the net asset value of the Fund
<b>Tax Payable by the Fund</b>	
<b>Capital Gains Tax</b>	Nil
<b>Income Tax</b>	10% of profits
<b>Economic Service Charge</b>	0.5% of turnover
<b>The Manager &amp; Trustee</b>	
<b>Fund Manager</b>	Unit Trust Management Co. (Pvt) Ltd
<b>Trustee</b>	Bank of Ceylon

## **IMPORTANT**

Unit Trust Management Co. (Pvt) Ltd is licensed by the Securities and Exchange Commission of Sri Lanka, to operate "Ceybank Savings Plus Money Market Fund", which is an open Ended Unit Trust as defined in the Securities and Exchange Commission Act No 36 of 1987 as amended, or any other statutory regulations thereof.

Units of Ceybank Savings Plus Money Market Fund are offered solely on the basis of information contained in this Explanatory Memorandum and the documents referred to herein. This Memorandum should be read in conjunction with the Trust Deed of the Fund. Read and retain this Memorandum for future reference. This Memorandum is based on the law and practice in force in Sri Lanka as at the date of this Memorandum and is subject to change therein. Investors who have any doubt in understanding the contents of this document should seek professional advice either from a stockbroker, a banker, a lawyer, an accountant or a tax consultant.

**THE PRICES OF UNITS COULD MOVE DOWN AS WELL AS UP FROM TIME TO TIME DUE TO MARKET FLUCTUATIONS.**

The Directors of the Management Company accept full responsibility for the accuracy of the information contained in this Explanatory Memorandum and confirm having made all reasonable enquiries that to the best of their knowledge and belief there are no other material facts the omission of which would make any statement herein misleading.

The Trustees hereby declare and certify that they have read and agreed with the representations herein.

### **SALE AND REDEMPTION OF UNITS**

All enquiries about the Ceybank Savings Plus Money Market Fund should be directed to the Fund Manager

**UNIT TRUST MANAGEMENT CO. (PVT) LTD.**  
3<sup>rd</sup> Floor, Bank of Ceylon Building  
York Street, Colombo 1  
Sri Lanka  
Tel: 94 -11-7602000, 94-11-2448403, 94-11-2430266  
Fax: 94-11-2448404  
Email: [ceybank@slt.lk](mailto:ceybank@slt.lk)

Units of the Ceybank Savings Plus Money Market Fund could be bought or redeemed through

- i      **BANK OF CEYLON BRANCHES**
- ii     **UNIT TRUST MANAGEMENT CO. (PVT) LTD.**  
3<sup>rd</sup> Floor, Bank of Ceylon Building  
York Street, Colombo 1  
Sri Lanka
- iii    **CEYBANK CUSTOMER SERVICE CENTRE**  
G1, Ceybank House, Bank of Ceylon  
Kandy, Sri Lanka  
Tel/ Fax: 94-81-2202861

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## Corporate Directory

**FUND MANAGER AND REGISTRAR**  
**UNIT TRUST MANAGEMENT CO. (PVT) LTD**  
3<sup>rd</sup> Floor, Bank of Ceylon Building  
York Street, Colombo 1, Sri Lanka  
Tel: 94-7602000-2  
Fax: 94-112448404

**THE TRUSTEE/ CUSTODIAN**  
**BANK OF CEYLON**  
4 Bank of Ceylon Mawatha,  
Colombo 1, Sri Lanka  
Tel: 94-112448348, Fax: 94-112346842

**THE SHAREHOLDERS OF THE FUND MANAGER**  
Bank of Ceylon  
Carson Cumberbatch PLC  
Sri Lanka Insurance Corporation Ltd  
HSBC Global Asset Management (Hong Kong) Ltd  
Unit Trust of India

**BOARD OF DIRECTORS OF THE FUND MANAGER**  
Ms. Siromi Wickramasinghe – Chairman  
Mr. M Selvanathan – Deputy Chairman  
Mr. C Sathkumara – Executive Director  
Mr. B A C Fernando – Nominee, Bank of Ceylon  
Mr. M S P R Perera – Nominee, Sri Lanka Insurance  
Mr. Nicholas A Nicolaou -- Nominee, HSBC  
Mr. B Babu Rao -- Nominee, Unit Trust of India  
Mr. D C R Gunawardena --Alternate to Mr. M Selvanathan  
Mr Sriyan Cooray --Alternate to Mr. Nicholas A Nicolaou  
Mr P A Lionel -- Alternate to Mr. B A C Fernando

**INVESTMENT ADVISORY PANEL TO THE FUND**  
Deshamanya Chandi Chanmugam – Former Member of the Monetary Board of Sri Lanka and Chairman Fitch Ratings Lanka Ltd  
Mr. S N P Palihena – Former General Manager, Bank of Ceylon  
Mr. Hari Selvanathan – Deputy Chairman, Carsons Cumberbatch PLC  
Mr. Tennyson Rodrigo - Former Managing Director, Capital Development & Investment Co Ltd

**AUDIT & COMPLIANCE COMMITTEE OF THE FUND MANAGER**  
Mr. B A C Fernando  
Mr. M S P R Perera  
Mr. D C R Gunawardena

**COMPANY SECRETARIES TO THE FUND MANAGER**  
**CARSONS MANAGEMENT SERVICES (PVT) LTD**  
61 Janadhipathi Mawatha  
Colombo 1, Sri Lanka

**AUDITORS TO THE FUND MANAGER**  
**ERNST & YOUNG**  
Chartered Accountants  
201 De Saram Place  
Colombo 10, Sri Lanka

**AUDITORS TO THE FUND**  
**PRICEWATERHOUSE COOPERS**  
Chartered Accountants  
100 Braybrooke Place  
Colombo 2, Sri Lanka

**TAXATION ADVISOR TO THE FUND**  
**ERNST & YOUNG**  
Chartered Accountants  
201 De Saram Place  
Colombo 10, Sri Lanka

**LAWYERS TO THE FUND MANAGER**  
**F. J. & G. DE SARAM**  
Attorneys-at-Law  
216 De Saram Place  
Colombo 10, Sri Lanka

**NITHYA PARTNERS**  
Attorneys-at-Law  
51 Gregory's Road  
Colombo 7, Sri Lanka

**BANKERS**  
Bank of Ceylon - Metropolitan Branch  
York Street  
Colombo 1, Sri Lanka

# **1. Ceybank Savings Plus Money Market Fund**

## **1.1 NATURE OF THE FUND**

Unit Trust Management Co. (Pvt) Ltd (“the Manager”) is a fund management company licensed by the Securities and Exchange Commission of Sri Lanka (“the Commission”) to manage unit trusts. It currently has 3 Unit Trusts under its management, ie the Ceybank Century Growth Fund which is an equity oriented growth fund, the Ceybank Unit Trust which is a balanced fund and the Ceybank Gilt-Edged Fund which is a low risk income fund. Ceybank Century Growth Fund and Ceybank Unit Trust are Open Ended Unit Trusts whilst the Ceybank Gilt-Edged Fund is a Close Ended Unit Trust. The Manager has now agreed with the Bank of Ceylon (“the Trustee”) as the Trustee to promote the Ceybank Savings Plus Money Market Fund (the “Fund”) an Open Ended Unit Trust, to facilitate the general public to reap the benefits of the Money Market in Sri Lanka.

The primary objective of the Fund is to maximise short term current income whilst ensuring ease of liquidity, within the investment parameters set out in Section 1.4 and liquidity requirements set out in Section 1.5 of this Explanatory Memorandum, by assuming a reasonably low level of risk.

The Fund would be an Open Ended Unit Trust and would be open for subscription during the Initial Offer Period which would be from 22nd June 2009 to 18th July 2009 at the Fixed Offer Price of Rs 10/- each per unit. Thereafter the Managers would accept applications for the issue of Units only at the prevailing offer price per unit.

The minimum subscription for units of the Fund would be Rupees Twenty Thousand (Rs 20,000/-) and multiples of Rs 10,000/- thereon.

The year end of the Fund would be 31<sup>st</sup> December each year.

Ceybank Savings Plus Money Market Fund has been authorized by the Securities and Exchange Commission of Sri Lanka by a license dated 2<sup>nd</sup> June 2009 to operate as a unit trust.

## **1.2 INVESTMENT OBJECTIVES AND INVESTMENT STRATEGY**

The primary investment objective of the Fund is to maximise short term current income whilst ensuring ease of liquidity by investing in a portfolio of Money Market Instruments and to provide a regular stream of dividend income bi-annually.

The Fund will invest in Money Market Instruments such as government securities (treasury bills and treasury bonds), bank deposits, repurchase agreements and corporate debt instruments with maturities less than one year, subject to the investment restrictions set out in Section 1.4.

The Fund shall not make investments in listed or unlisted equity securities.

### 1.3 INVESTMENT RISKS

Investors should be aware that the price of Units of this Fund and the dividend paid by the Fund can go down as well as up according to the interest rate fluctuations in the market. Investments in Units differ from Bank deposits and there is no guarantee of any fixed returns.

The Fund's investments are subject to normal market risks and the ability to achieve the investment objectives will depend to a great extent on the monetary policy of the Central Bank of Sri Lanka, overall performance of the economy, and the contributory environmental factors. The Fund is also subject to various degrees of regulatory, fiscal, liquidity, inflation, interest rate and re-investment risks.

- **Interest Rate Risk:** Interest rate risk is critical in this Fund since prices of bonds move inversely to the interest rate movement. Therefore when interest rates rise, the prices of bonds decrease and vice versa. The performance of this Fund is highly correlated to the rise or fall of the bond prices. The change in market values of the bonds would have a direct bearing on the movement in unit prices. This is however mitigated to some extent by the fact that the Fund does not invest in instruments which have a long term to maturity.
- **Liquidity Risk:** Liquidity risk will be another risk factor of this Fund. Liquidity risk is the ease with which an investment could be sold at or near its value without much risk of change in expected value. Wider the spread between bid and ask prices quoted in the market, higher the liquidity risk.
- **Re-investment Risk:** Re-investment risk will also be a risk factor of this Fund. The maturity proceeds and coupon income from bonds will be subject to re-investment at the prevailing rates of interest at the time. The interim cash flows of the Fund would hence be subject to the variability of interest rates.
- **Default Risk:** Default risk is the credit risk that arises due to the risk that the issuer of a corporate debt instrument may be unable to make timely principal and interest payments.
- **Inflation risk:** Inflation risk is the uncertainty that returns from this Fund may not cover the loss of purchasing power caused by inflation or the uncertainty of having negative real returns from this Fund.

#### 1.4 INVESTMENT RESTRICTIONS

The Fund will make investments within the investment parameters set out by the Commission, and changes made from time to time to the Unit Trust Code, the Trust Deed referred in Section 13 of the Trust Deed and directives issued by the Commission from time to time.

The Unit Trust Code 2004 has restrictions and limits on investment. The Manager is precluded from making any investments in any of the following without the permission of the Commission

- (a) investments in commodities, futures and options;
- (b) investments in real estate, other than investment in real estate investment companies or companies that have real estate investment activities;
- (c) investments for the purpose of gaining management control of a company in which the Fund has purchased share capital;
- (d) investment in foreign securities;
- (e) investment in any asset which involves the assumption of unlimited liability;
- (f) leverage by borrowing against securities or buying on margin except in relation to securities with fixed and determinable future maturity date and the percentage of such leverage will be determined with the approval of the Commission and stated in the Trust Deed provided that the maximum gearing a Fund may have outstanding, does not exceed fifteen per centum (15%) of the deposited property or such other percentage as the Commission may from time to time determine; and
- (g) such other investments as may be designated from time to time by the Commission as being investments that are not to be undertaken by a managing company.

The Manager is also prohibited from entering into any underwriting or sub underwriting arrangement on behalf of the Fund except with the prior written consent of the Trustee and the Commission.

The Commission has also issued Guidelines which are as follows:

- (a) The investment in debt of a single listed entity shall not exceed 25% of the Net Asset Value
- (b) The investment in unlisted debt of a single listed or unlisted company with an investment grade rating endorsement or guarantee shall not exceed 15% of the Net Asset Value

- (c) The investment in unlisted debt of a single listed or unlisted company without an investment grade rating or endorsement or a guarantee shall not exceed 10% of the Net Asset Value
- (d) The single entity total exposure shall not exceed 25% of the Net Asset Value
- (e) Exposure to any licensed commercial bank or specialized bank together with the exposures on guarantees and endorsements shall not exceed 25% of the Net Asset Value;

A violation of any limit on investment through the appreciation in value of the investments of the Fund due to market movements however would not amount to a breach of the Manager's obligations and such violation could be corrected within such time as maybe permitted by the Commission.

The implementation of the investment policy and making any modifications thereto which does not substantially change the nature of the Fund is the responsibility of the Manager.

#### 1.5 LIQUIDITY

The Fund shall maintain a level of liquidity amounting to at least 5% of the deposited property in cash or near cash to assure ease of redemptions.

The expression "near cash" in this sub-clause shall mean liquid investments that are readily convertible into known amounts of cash without any risk of change in value or investments specified by the Unit Trust Code.

#### 1.6 BORROWING POWERS

The Fund may borrow monies up to a maximum limit of 15% of the net asset value of the Deposited Property for the purpose of :

- (i) the Fund acquiring Authorized Investments or
- (ii) for cancellation of Units or
- (iii) for funding of distribution of income.

#### 1.7 FEE STRUCTURE

The fee structure applicable for Ceybank Savings Plus is as follows:

##### Fees payable by the Unit Holder

- Front – End Fee - None
- Exit Fee - None

### Fees chargeable to the Fund

- Management Fee - 0.75 % per annum of the net asset value of the deposited property accrued daily and payable monthly.
- Trustee Fee - 0.15 % per annum of the net asset value of the deposited property accrued daily and payable monthly.

Full details of other administrators and professional expenses payable by the Fund and which are a charge on the deposited property, are set out below.

- (a) Brokerage.
- (b) Accountant's fees and expenses (other than Auditor's fees and expenses) incurred in preparing any special reports required by the Securities and Exchange Commission and/or any other regulatory authority.
- (c) Auditor's fees and expenses.
- (d) Cost incurred or to be incurred in the preparation and modification of the Trust Deed.
- (e) Cost incurred to enable the Trust to comply with legislation or other official requirements.
- (f) All professional fees incurred in connection with matters pertaining to the affairs of the Trust.
- (g) All taxes and other duties payable in the establishment, execution, management or termination of the Trust.
- (h) All costs incurred by the Managers in communicating with the unit holders in general and include cost of producing and dispatching newsletters, periodicals, reports etc.
- (i) All costs incurred in respect of dividend distribution.
- (j) All other charges and fees expressly authorized by the Trust Deed or by law.

The Manager is responsible for the charges and fees of any Advisors, Investment Consultants; Agents and Investment Counsellors retained by them.

### **1.8** DISTRIBUTION OF INCOME

Ceybank Savings Plus Money Market Fund may distribute all or part of its net income and realized capital gains to its Unit Holders bi-annually. Distributions will be made generally in the months of January and July each year.

### **1.9** THE MANAGER AND THE REGISTRAR

Unit Trust Management Co. (Pvt) Ltd, (UTMCL) having its registered office at the 3<sup>rd</sup> Floor, Bank of Ceylon Building, York Street, Colombo 1, is the Manager for the

## **Ceybank Savings Plus Money Market Fund**

UTMCL is a fund management company incorporated in Sri Lanka in 1991. The primary objective of the company is managing unit trusts whilst also providing portfolio management services and other related services to clients. UTMCL is regulated by the Commission under the Securities and Exchange Commission Act No. 36 of 1987.

### **Shareholders of UTMCL are**

Bank of Ceylon	- 20%
Carson Cumberbatch PLC	- 22%
Sri Lanka Insurance Corporation Ltd	- 16%
HSBC Global Asset Management (Hong Kong) Ltd	- 22%
Unit Trust of India	- 20%

The Manager's role is to manage the Fund in accordance with this Explanatory Memorandum, the Trust Deed, the Unit Trust Code 2004 and any directions which may be issued by the Commission from time to time. Its functions include the issue and redemption of Units on behalf of the Fund, making investments and divestments on behalf of the Fund and providing a valuation for the Units.

UTMCL as the registrar will maintain the register of Unit Holders and liaise with the Unit Holders for all matters pertaining to the sale of units, redemption of units, despatch of dividends and periodic reports.

### **1.10 THE TRUSTEE**

The Trustee of the Ceybank Savings Plus Money Market Fund is Bank of Ceylon (BOC) the largest State Bank in Sri Lanka. It commenced its operations in August 1939 and its registered office is at 4, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka. BOC has an authorized share capital of Rs. 50,000,000,000 and a paid-up share capital of Rs. 2,600,000,000.

BOC's experience in the Trustee business has expanded over the years since 1992. The division is currently the Trustee for several other unit trust schemes as well.

The Trustee's role is mainly to act as a Custodian of the Deposited Property and to hold such property on behalf of the Fund. The Trustee shall carry out the instructions given by the Manager and take reasonable care to ensure the Fund is managed in accordance with this Explanatory Memorandum, the Trust Deed, the Unit Trust Code 2004 and any directions which may be issued by the Commission from time to time.

## **2. Issue and Redemption of Units under this Memorandum**

### **2.1 WHO CAN INVEST**

Investment in the Ceybank Savings Plus Money Market Fund could be made by:

- a) Individuals jointly or severally
- b) Minors as the first holder when applied jointly with parent, legally appointed guardian or curator\*
- c) Any Company or body corporate which is authorized to make such investments.

\* In the case of investments in the name of minors, dividends if any, as and when distributed by the Fund will be cumulatively re-invested in Units until the minor attains majority.

### **2.2 INITIAL OFFER PERIOD**

Managers would accept applications for the issue of Units at the Fixed Offer Price of Rs 10/- per unit during the Initial Offer Period which would be from 22nd June 2009 to 18<sup>th</sup> July 2009.

### **2.3 PURCHASING UNITS ON AN ON GOING BASIS**

The Fund will be open for new subscriptions for the issue of units (subsequent to the initial offer period) on any dealing day, provided the Manager receives before 2.00 p.m., the duly completed application form together with realised funds. Applications received after 2.00 p.m. will be carried forward to the next business day.

Units will be allotted based on the Managers Selling Price prevalent on the dealing day the Manager receives realised funds. The units allotted may include fraction of a unit rounded to the nearest tenth (1/10) of a unit equivalent in value to the amount invested.

### **2.4 HOW TO INVEST**

Copies of this Memorandum and application forms can be obtained from UTMCL or any Sales Agents appointed by UTMCL or any Bank of Ceylon branch.

In order to invest in the Ceybank Savings Plus Money Market Fund an applicant should complete an application form and return it to the Manager directly or through a Bank of Ceylon Branch together with payment for the units. The Application Forms and relevant information can be obtained from the office of the Manager or any Bank of Ceylon Branch. Cash and cheques can be deposited directly into the Manager's bank account No 8223 at Bank of Ceylon, Metropolitan Branch by using a Bank Deposit Slip at any branch of Bank of Ceylon. The original

Customer's Copy of the Bank Deposit Slip (proof of payment) must be sent to the Manager together with the application for units.

Alternatively, a person may attach his cheque to the application form and send it to the Manager by post. Cheques and bank drafts must be made payable to "UNIT TRUST MANAGEMENT CO. (PVT) LTD" and crossed "ACCOUNT PAYEE ONLY".

The mailing address is :

Unit Trust Management Co. (Pvt) Ltd  
3<sup>rd</sup> Floor, Bank of Ceylon Building  
York Street  
Colombo 1  
SRI LANKA

The minimum initial subscription for units of the Fund would be Rupees Twenty Thousand (Rs 20,000/-) and multiples of Rupees Ten Thousand (Rs 10,000/-) thereon.

## 2.5 EVIDENCE OF OWNERSHIP OF UNITS

Evidence of ownership of Units will be in the form of Transaction Receipts and no printed certificate will be issued. The Units are held electronically in the computer system of the Manager. The Unit Holder will be issued with a computer generated receipt called a "Transaction Receipt" when Units are purchased by the Unit Holder from the Manager, indicating the

- (i) Name and address of the Manager and the Trustee
- (ii) Name and address of the Unit Holder as appearing in the Unit Holder register
- (iii) Number of Units purchased and the amount paid by the Unit Holder for such purchase and
- (iv) Date of the transaction

The Unit Holder will also be issued with a half yearly statement containing a confirmation of the Unit holding.

The Unit Holder register maintained by the Manager shall be the conclusive evidence of the person entitled to the Units entered therein.

It is the responsibility of the Unit Holder to notify the Manager as soon as possible if there are any changes to the information such as forwarding address, bank account numbers, provided by the investor in the application form.

## **2.6 DIVIDEND PAYMENTS**

If any dividend distributions are made by the Fund, Unit Holders have the option of receiving dividends in the form of cash or in units by re-investing the dividends in the Ceybank Savings Plus Money Market Fund, in case of the latter.

Dividend payments will be made only to the first holder, by way of a direct transfer to the bank account indicated in the initial application or by way of a crossed cheque in the absence of a bank account. The payment will be made in Rupees and dispatched by ordinary post, after the declaration of the dividend. Investors also have the option of requesting dividend payments via Central Bank funds. This service will however attract a charge for the specific banking service, which could change from time to time depending on the bank tariff. The Manager's does not assume liability, for the delays in the investor receiving value for the above payments.

Unit Holders may choose to reinvest the dividend declared back in the Ceybank Savings Plus Money Market Fund. The dividends of Unit Holders who request for automatic re-investment will be allotted units at the Managers Selling Price prevailing on the first dealing day following the date of dividend declaration. The Unit Holder will be issued with a computer generated "Transaction Receipt" indicating the units thus allotted, in addition to the dividend notice.

Dividends belonging to minors will be automatically reinvested in units.

In the event any of the income distributed remains unclaimed by the Unit Holder for a period of six (6) months after the date of distribution, the Manager shall re-invest such funds (less any charges in processing the relevant transaction) in to units at the Managers Selling Price prevailing on the date and the amount of Units lying to the credit of the Unit Holder will be increased.

## **2.7 REDEMPTION OF UNITS**

Units may in general be redeemed on any dealing day at the Managers Buying price prevalent on any dealing day, provided the Manager receives before 12.00 noon, the duly completed Redemption Request Form. The request for redemption should be made before 12.00 noon. on the business day. Any request for redemption after 12.00 noon will be processed on the following business day. The Redemption Request Forms can be obtained from the office of the Manager or through any Bank of Ceylon Branch.

Unit holders could redeem their units on any dealing day in whole or in part provided the minimum holding is not less than 1,000 units after such redemption is made. If the number of remaining units is less than 1,000 units, the Managers' reserve the right to redeem the remaining units and pay the proceeds to the investor.

Payment of redemption proceeds will be made in Sri Lanka Rupees to the first holder, by way of a direct transfer to the bank account indicated in the Redemption Request Form or by way of a crossed cheque in the absence of a bank account which

will be dispatched by registered post within 7 business days after the date of receipt of a request for redemption. Investors also have the option of requesting redemption proceeds via an electronic fund transfer system recognized by the Banking industry. This service will however attract a charge for the specific banking service, which could change from time to time depending on the bank tariff. The Managers' does not assume liability, for the delays in the investor receiving value for the above payments.

If the total amount to be redeemed is greater than or equal to 5% (five per cent) of the net asset value based on the market value of the Fund, the unit holder will be required to give the Manager written instructions 7 (seven) market days prior to the date of redemption. The redemption will be carried out at the Managers Buying Price on the redemption date.

## **2.8 SWITCHING BETWEEN FUNDS**

Unit holders of Ceybank Savings Plus Money Market Fund have the option of switching their investments to any other Open Ended Unit Trust managed by the Manager subject to requirements specified under redemption of units set out in set out in Section 2.7 of this Explanatory Memorandum and requirements specified in purchase of units prescribed in the Explanatory Memorandum of the said relevant Unit Trust.

## **2.9 TRANSFER OF UNITS**

Unit Holders of Ceybank Savings Plus Money Market Fund may transfer some or all of their units in the Fund to another party by completing a Transfer Form. Each transfer request must be for at least one thousand (1,000) units. Each transfer would cost the Unit Holder a fee of Rupees Five Hundred (Rs. 500/-).

## **2.10 VALUATION OF UNITS**

The prices at which investors may subscribe for or redeem units, are calculated on each business day, by reference to the net asset value of the fund as at the close of business on the valuation date (as defined in the Trust Deed).

The Managers Selling Price for subscriptions on an on going basis (subsequent to the Initial Fixed Offer Period) as at any dealing day shall be determined by,

- (a) Ascertaining the value of the net assets of the Fund as at 4.00 p.m. (Sri Lanka time) on the valuation day.
- (b) Adding such sum that the Managers may consider as representing the appropriate provision for duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

The Managers Buying Price for redemptions as at any dealing day shall be determined by,

- (a) Ascertaining the value of the net assets of the Fund as at 4.00 p.m. (Sri Lanka time) on that day.
- (b) Deducting there from such sum that the Managers may consider as representing the appropriate duties and charges.
- (c) Dividing the resulting sum by the number of units in issue and deemed to be in issue on that day.

**2.11 DEALING INFORMATION**

The Managers Selling Price and Managers Buying Price of the Fund will be published daily in at least one leading Sri Lankan daily newspaper.

**2.12 CURRENCY DENOMINATION**

The issue and redemption of units of the Ceybank Savings Plus Money Market Fund will be made only in Sri Lanka Rupees.

### **3. General Information**

#### **3.1 RIGHTS OF UNIT HOLDERS**

The Unit Holder shall have the right to

- i) Inspect the Trust Deed at the office of the Managers during office hours free of charge. Copies of the Trust Deed priced at Rs 1000/- can be purchased from the Managers, at their office on any working day, at 3<sup>rd</sup> Floor, Bank of Ceylon Building, York Street, Colombo 1, from 9.00 a.m. to 3.00 p.m.
- ii) Redeem subject to the conditions of the Trust Deed all or some units registered in their name.
- iii) Receive periodical statements, annual accounts and reports of the Auditors.
- iv) Transfer the units registered in the name of a Unit Holder on the payment of the fee of Rupees Five Hundred (Rs. 500/-).
- v) Participate in meetings of the Unit Holders subject to the provision of the Trust deed.

#### **3.2 TAXATION**

The information given below is based on respective Acts and Amendments, existing at the time of printing this document.

##### **a. Tax liability of the Fund**

###### **i. Income Tax**

The Fund would be liable to a corporate tax at 10% on its taxable profit in terms of the Inland Revenue Act No. 10 of 2006.

###### **ii. Economic Service Charge**

The Fund is liable to pay Economic Service Charge (ESC) at 0.5% of Turnover in terms of the Economic Service Charge (Amendment) Act No 15 of 2007. The turnover of the Fund liable for ESC consists of net capital gains on bonds, interest and dividend income.

##### **b. Taxation liability of Unit holders**

###### **i. Dividend Distributions**

Distribution in the form of dividends is exempt from tax in terms of the Inland Revenue Act No. 10 of 2006 and Inland Revenue (Amendment) Act No. 10 of 2007.

###### **ii. Redemption of Units**

Capital gains arising from redemption proceeds of units are exempt from tax in terms of the Inland Revenue Act No. 10 of 2006 and Inland Revenue (Amendment) Act No. 10 of 2007.

Prospective investors who are in doubt as to their tax position should consult their own professional advisors on the implications of making an investment or holding and disposing of units and the receipt of income.

### **3.3 REPORTS AND ACCOUNTS**

Unit Holders will be sent a report on the annual accounts and the performance of the Fund annually. The accounts will be prepared up to 31st December in each year and sent to the Unit Holders within three months. Unit Holders will also be sent an interim report for the period January to June.

### **3.4 UNIT TRUST CODE**

All the operations of the Ceybank Savings Plus Money Market Fund will be subject to the provisions of the Securities and Exchange Commission Act, Unit Trust Code, Unit Trust Regulations and the general directives issued by the Securities and Exchange Commission from time to time.

### **3.5 CONSTITUTION OF THE TRUST DEED**

Ceybank Savings Plus Money Market Fund is constituted by a Trust Deed dated 17<sup>th</sup> June 2009 between Unit Trust Management Co. (Pvt) Ltd, as the Fund Manager and Bank of Ceylon, as the Trustee. The Trust Deed is constituted under the laws of the Democratic Socialist Republic of Sri Lanka. In the event of any inconsistency between this Explanatory Memorandum and the Trust Deed, the provisions of the Trust Deed shall prevail.

### **3.6 APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION**

The Securities and Exchange Commission has approved this Explanatory Memorandum as suitable for distribution among prospective investors of the Ceybank Savings Plus Money Market Fund

### **3.7 DATE OF THIS EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is dated 19<sup>th</sup> June 2009

## Glossary of Terms

“Balanced Fund” means a unit trust that invests in a combination of equity and bonds with a view to provide both income and capital appreciation while avoiding excessive risk.

“Closed End Unit Trust” means a unit trust which after the initial offer period does not unless otherwise approved by the Commission issue new units or redeem units in issue until the liquidation of such fund.

"Commission" means the Securities and Exchange Commission of Sri Lanka established by the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

“Colombo Stock Exchange” means the only stock exchange in Sri Lanka for secondary market trading in equity securities.

"Dealing Day" means a day on which the banks are generally open for business in Sri Lanka whereby a Unit Holder could effect subscription for units and redemption of units.

“Exit Fee” means the portion of proceeds received by the Manager equivalent to the difference between the redemption price and the proceeds from the sale of a unit, which is paid to the unit holder.

"Explanatory Memorandum" means the document containing information of a unit trust inviting members of the public to subscribe to or purchase units in the unit trust.

“Fixed Offer Price” means the issue price of Rs 10/- per unit.

"Front-End Fee" means the difference between the issue price and the portion of the proceeds from the sale of a unit which is received by the Manager.

“Fund” means the said Unit Trust constituted by a Trust Deed as modified or added to from time to time with the approval of the Commission and called by the name “Ceybank Savings Plus Money Market Fund” or such other name as the Trustees and the Managers may mutually agree upon from time to time

“Gilt-Edged Fund” means a unit trust that invests only in several different types of government securities.

“Growth Fund” means a unit trust whose aim is to achieve capital appreciation by investing primarily in equity securities.

“Indexed Equity Fund” means a Unit Trust that invests in a specific stock market index comprising of equity securities of listed companies and thereby attempts to track the average return of the said market index.

“Initial Offer Period” means the period during which the Manager will issue units at the Fixed Offer Price.

"Manager" or “Fund Manager” means a managing company licensed to operate a unit trust under the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 as amended.

**"Managers Buying Price"** means the sum the Manager would require to pay the Unit Holder for redeeming one unit

**"Managers Selling Price"** means the sum the Manager would require the Unit Holder to pay for the issue of one unit.

**"Management Fee"** means the only payment to be made to the Manager by the Trustee out of the deposited property as remuneration for the services rendered.

**"Money Market"** means a market where securities with a maturity of less than one year are transacted.

**"Money Market Fund"** means a unit trust whose aim maximise short term current income whilst ensuring ease of liquidity by investing in a portfolio of Money Market Instruments.

**"Money Market Instruments"** means securities such as government securities (treasury bills and treasury bonds), bank deposits, repurchase agreements and corporate debt instruments with maturities less than one year,

**"Net Asset Value" or "Deposited Property"** means all the net assets for the time being held or deemed to be held by the trustee on behalf of the unit trust and subject to the provisions of the Trust Deed.

**"Net Asset Value per unit"** means the Net Asset Value divided by the number of units in issue

**"Open End Unit Trust"** means a unit trust, which after the initial offer period continues to issue new units and redeem units in issue, until the liquidation of the fund.

**"Redemption"** means the purchase of units from a unit holder by the Manager as principal and "redeem" and "redemption price" shall be construed accordingly.

**"Trust Deed"**

**"Trustee"** means a trustee who has been approved by the Commission.

**"Trustee Fee"** means the only payment to be received by the Trustee out of the deposited property as remuneration for the services rendered.

**"Unit"** means one undivided share in the Fund.

**"Unit Holder"** means the person who is entered in the Register as the Holder of a Unit at a given point of time and includes persons so entered as joint Holders.

**"Unit Trust Code"** means the Unit Trust Code framed by the Commission under the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987 and any amendments made thereto.